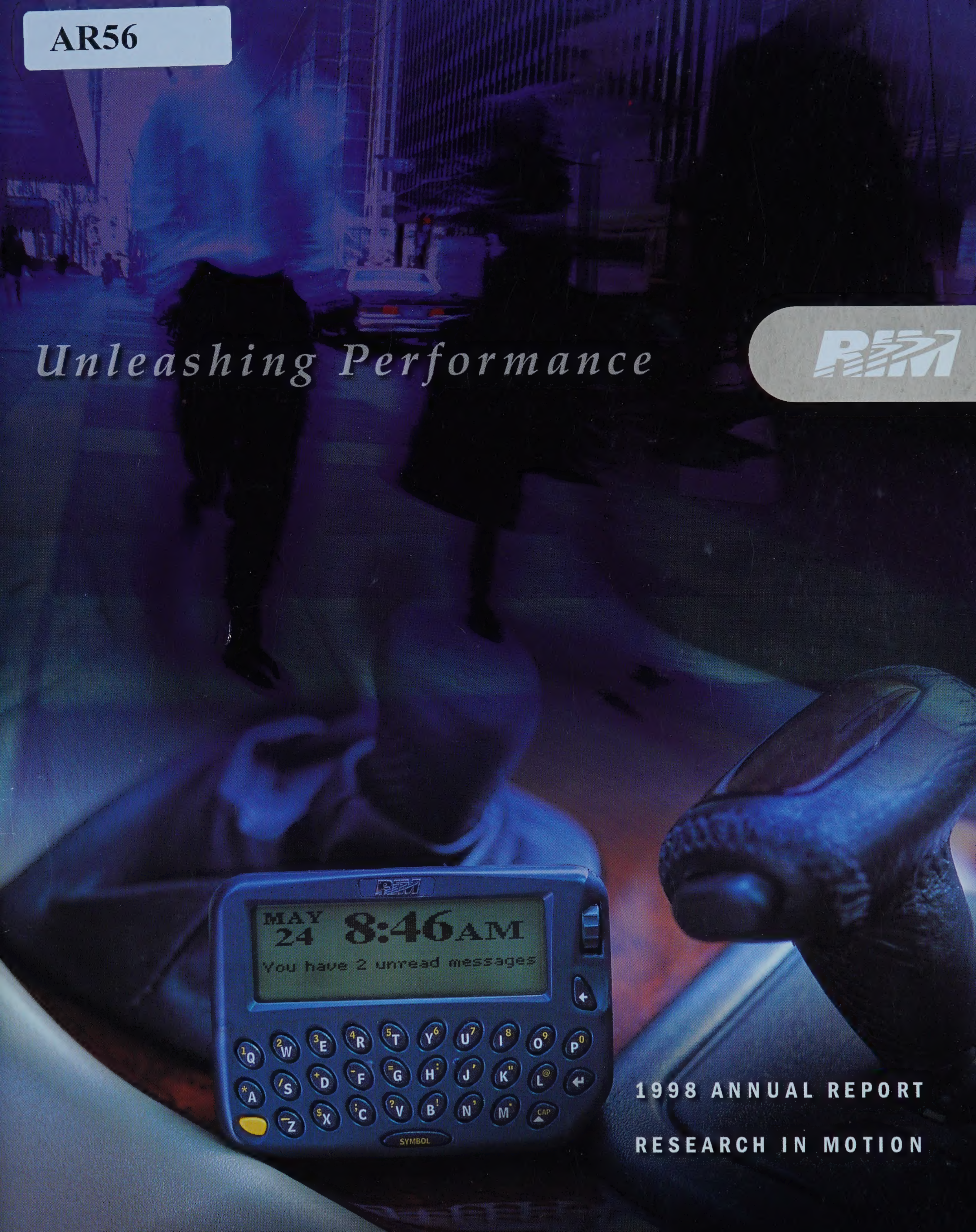

Unleashing Performance

1998 ANNUAL REPORT

RESEARCH IN MOTION

SHAREHOLDER INFORMATION

The Annual General Meeting of shareholders will be held on Tuesday, July 14th, 1998 at 5:00 p.m. at the Canadian Clay and Glass Museum, 25 Caroline Street North, Waterloo, Ontario.

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Corporate web site
www.rim.net

CORPORATE DESCRIPTION

Research In Motion is a world leader in designing, manufacturing and marketing wireless consumer and business-to-business electronic access technology for the rapidly emerging mobile personal communications market. Its product portfolio includes two-way pagers, wireless PC card adapters and embedded OEM radio modems. These products are sold to a range of major multinational companies, including wireless network suppliers, original equipment manufacturers, and value-added resellers. The Company is listed on The Toronto Stock Exchange under the symbol RIM.

FISCAL 1998 AT A GLANCE:

- Increased sales 175% to $33.2 million
- Raised $105 million in IPO and became TSE listed
- Received $4.1 million equity investment from Intel Corporation
- Launched Inter@ctive™ Pager, Wireless PC Card and OEM radio products
- Signed $90 million contract with BellSouth Wireless Data for next generation Inter@ctive Pager
- Delivered $10 million in two-way pagers to IBM
- Invested a record $6.5 million in R&D – up 45% over 1997
- Won product awards for Inter@ctive Pager and Wireless PC Card
- Telxon Corporation placed initial order for OEM radios
- Hired 70 new employees

Highlights since year-end include:

- OEM radio orders received from Panasonic Corporation and Mobile Integrated Technologies
- Technology Partnerships Canada announced $5.7 million investment in R&D at RIM
- Joined forces with Intel and Visteon Automotive Systems to connect cars to Internet

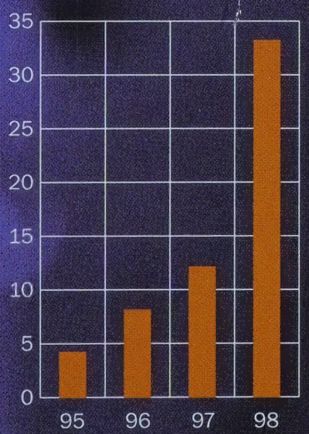
FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)

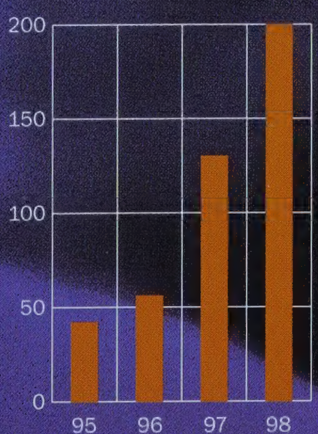
Year ended February 28,		**1998**		1997
Income Statement Data				
Revenue	$	**33,159**	$	12,071
Gross Profit	$	**11,715**	$	6,390
Net Income	$	**540**	$	44
Net Income Per Share (basic and fully diluted)	$	**0.01**	$	0.00
Balance Sheet Data				
Total Assets	$	**153,347**	$	44,415
Shareholders' Equity	$	**150,054**	$	40,766

Total Sales

($ in millions)



Total Employees



Letter to Shareholders

Fiscal 1998 was a year of many achievements for Research In Motion. Not only did we successfully complete our first public offering, we made important strides in cementing several strategic relationships and firmly established our technological leadership with the launch of the Inter@ctive Pager, the Wireless PC Card and a number of new OEM radio products. Other highlights included initial customer orders for our OEM radios, several product awards, and the expansion and upgrading of our production facilities to meet the growing demand for RIM's products.

These accomplishments were instrumental in nearly tripling RIM's revenues to $33.2 million during the year. This rapid rate of growth is expected to persist as we continue to fill backlogged orders for our leading-edge two-way pagers, radio modems and PC cards. RIM's order backlog stood at $100 million at our February 28, 1998 year end.

We also exceeded our earnings expectations in fiscal 1998, with net income of $540,000 versus the $44,000 earned last year.

RIM's growth is largely being driven by the dynamic nature of the emerging mobile personal communications market in which we operate. But it is also being propelled by the dedication and determination of our people, including a management team committed to a strategic approach to growth. RIM is a world leader in designing, manufacturing and marketing wireless consumer and business-to-business electronic access technology.

At the time of our initial public offering in October of 1997, we articulated five core strategies through which RIM intends to deliver a promising future to our stakeholders. These were and continue to be: extending our technological leadership; maintaining market leadership and customer growth; developing and strengthening strategic alliances with industry leaders; expanding and improving our production facilities; and investing in highly qualified people.

In fiscal 1998, we demonstrated our commitment to these core strategies by putting our energy and resources behind every one of them.

Extending our technological leadership

We spent a record $6.5 million on research and development in fiscal 1998 – a 45% increase over the previous year. Moreover, this figure does not include the millions of dollars invested by our technology partners, such as Intel Corporation and Analog Devices, with whom we jointly develop custom silicon.

Of course, successful R&D is dependent on the efforts and ingenuity of talented people. We dedicated substantial resources to attract many highly skilled engineers in the specialized areas of radio frequency engineering, software development, firmware development, ASIC development, and CAD design during 1998. It would be difficult to overstate the importance of these new additions to the future of RIM.

Thanks to the hard work of our R&D team, our technology efforts in 1998 were well rewarded. In addition to the development and market launch of our two-way pagers and wireless personal computer card adapters, we reached major milestones in silicon chip integration and the $9.4 million Techfund project, which is 50% funded by the Ontario government, for the development of next generation radio modem technology.

One indicator of the success of technological or any other leadership is the degree to which that leadership is recognized by peers. In this regard, we are proud to say RIM added to a long list of product and technology accolades during the past year. For example, we received the National Quality Institute's Canada Award for Excellence Trophy for Innovation for our Wireless PC Card, and our Inter@ctive Pager was named Top Product for 1997 in the category of "Innovative Devices: Voice and/or Data" by Wireless for the Corporate User magazine.

Perhaps it will be of even greater interest to our stakeholders to know that RIM's technological leadership was affirmed by the most important indicator of all: our success in product sales.

Maintaining market leadership and customer growth

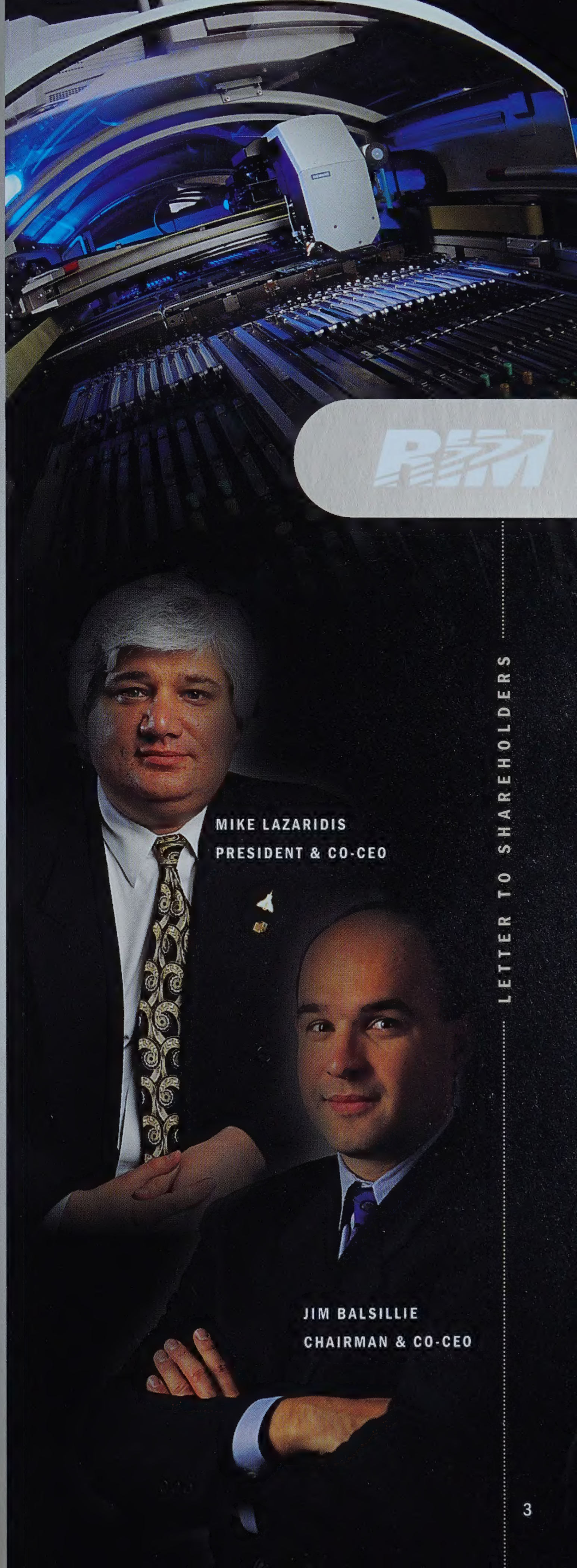
A significant success on the sales front in 1998 was a $90 million contract to supply two-way pagers to BellSouth Wireless Data over the upcoming year. BellSouth operates wireless data service covering 93% of the US urban business population in 266 metropolitan areas. Moreover, BellSouth is aggressively investing in enhanced coverage and the promotion of its Wireless Data Network throughout the US. The potential to increase sales through this channel is tremendous.

Among our other successes was a $10 million contract to supply two-way pagers to IBM for the use of IBM's field representatives throughout North America. The exposure gained from supplying IBM should substantially increase public awareness of RIM's products.

After working closely on design specifications with a number of manufacturers over a period of several months, we also signed several initial contracts for our advanced OEM radio modems. These included a $1 million contract to supply Telxon Corporation with OEM radio modems to be embedded in its hand-held terminals; a $2 million contract to supply Panasonic Corporation with OEM radio modems for integration into its ruggedized notebook computers; and a $3.8 million contract to supply Mobile Integrated Technologies with OEM radio modems for vehicle-based communications products. The latter two contracts were finalized in early fiscal 1999.

Additionally, RIM's radio modem was chosen for integration into ruggedized terminals, point-of-sale verification, telemetry, alarming, and in-vehicle communications systems of various other manufacturers which are poised to launch new products over the next year. This will create yet another source of product sales going forward.

During the year, RIM continued to sell its Wireless PC Card modems under its own brand name through a network of partners who coordinate sales to large corporate users. This product now has a sizable share of the wireless communications peripheral market in the US.



MIKE LAZARIDIS
PRESIDENT & CO-CEO

JIM BALSILLIE
CHAIRMAN & CO-CEO

Developing and strengthening strategic alliances with industry leaders

We strengthened and added to an already impressive list of strategic alliances with major network operators and channel partners, wireless network infrastructure suppliers, manufacturers, and wireless technology innovators in 1998.

RIM is a key partner of the major wireless networks in the US, namely, BellSouth's Mobitex network and the AMSC/ARDIS DataTAC network. Both these networks market our Inter@ctive Pager bundled with wireless service to high profile corporate customers as well as to individuals.

Also in 1998, we broadened our relationship with Intel Corporation, whose $4.1 million equity investment in RIM in September solidified a partnership based on advanced silicon development and joint marketing initiatives. Intel's leadership in semiconductors ideally complements RIM's advantages in wireless technology.

Also noteworthy is the addition of the University of Toronto to the list of technology partners working together in the Techfund R&D project. The University of Toronto joins COM DEV, the University of Waterloo, McMaster University and RIM in their efforts to develop next-generation radio modem technology.

Expanding and improving state-of-the-art production facilities

Last year's commissioning of our new production facility in Kitchener, Ontario, allowed us to begin filling our order backlog and shorten lead times between initial order placement and shipment to the customer.

In 1998, we spent an estimated $5 million expanding our production lines using surface mount technology and on equipment for product testing and assembly. We hired 21 people to bolster our capabilities in purchasing, quality assurance and control, inventory management and manufacturing engineering. As at 1998 year end, we were able to produce approximately 600 devices per day. We expect to increase this number to an estimated 4,000 per day in fiscal 1999, and have the flexibility to further expand capacity as industry growth and our market penetration demand. We therefore believe we will fill our order backlog on a timely basis in 1999 and meet expected demand in our emerging market sector.

Investing in highly qualified people

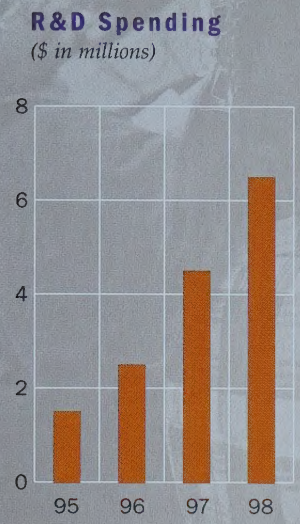
As a knowledge-based company operating in a highly competitive labour market, our most critical strategic focus is our investment in people. This past year, we successfully attracted 70 new employees: 28 in research and development, 10 in sales and marketing, 11 in administration and finance, and 21 in manufacturing. Just as importantly, we focused on retaining our existing, highly competent team by maintaining an innovative culture, providing access to cutting-edge design and development tools, investing in training programs, and offering stock options to all permanent, full-time employees. We also hired a Director of Organizational Development – a newly created position – to oversee and manage the entire staffing function.

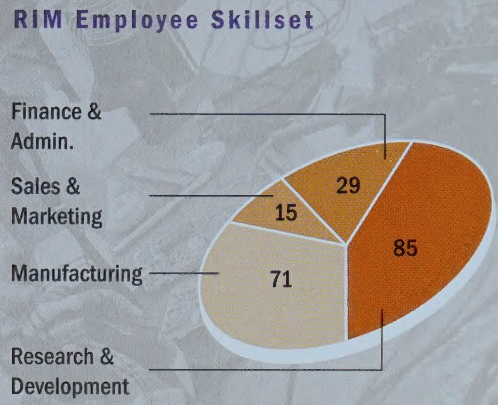
Many companies state that people are their most valuable asset; nowhere is this more true than at RIM. We spent $7.9 million on our people in 1998, representing 23% of our total costs. We are realizing an excellent return on that investment, in terms of superior products, average business volumes per employee of $201,000, and a history of technology awards. The skill sets, education, and training of our people are second to none.

Outlook

The two-way paging industry in the US is poised for significant growth. In addition, the number of applications for wireless messaging using RIM's OEM radio modem will continue to expand. RIM has positioned itself to be the premier supplier of devices into these two markets and is poised for rapid growth during fiscal 1999.

In a world where consumers increasingly demand to be "connected" 24-hours-a-day for both business and personal purposes, the economical cost and





benefits of RIM's core two-way paging technology give it a significant competitive advantage over the limited applications of one-way products which cannot respond to or initiate messages.

Furthermore, in an industry where no single wireless network has yet emerged as dominant, the flexible design and universal network access provided by our products translate into considerable end-user appeal. For these reasons, together with our well-defined strategic focus, we believe RIM will outperform the industry in the years ahead.

RIM ended 1998 with an exceptionally strong balance sheet to take advantage of the opportunities in its markets. Cash and short-term investments of $109 million – largely IPO proceeds – accounted for more than two-thirds of total assets, and RIM was virtually debt-free. In fiscal 1999, we intend to use about $12 million of this cash for new equipment, $30 million for inventory, $5 million for sales and marketing initiatives, and $5 million for R&D.

Future R&D will be targeted at 10% to 15% of sales. Specific plans include the development and launch of next generation two-way pagers and radio modems; a new $19.1 million R&D project to further advance two-way messaging technology, for which we received a commitment of $5.7 million from Technology Partnerships Canada in May of 1998; the expansion of our Waterloo R&D facility by 22,500 square feet; and the addition of new machines, surface mount lines and automated back-end testing systems. These latter two initiatives are geared towards filling our fiscal 1999 customer order backlog and meeting anticipated growth in customer demand.

We will also devote our energies to technology partnerships for device integration; jointly develop future generation silicon with Intel and Analog Devices; continue pursuing design integration wins with OEM manufacturers in North America and Asia; and continue broadening the number of global network partners.

To carry out these plans, RIM intends to hire 200 employees during fiscal 1999: 50 in research and development, 25 in sales and marketing, 10 in administration, and 115 in manufacturing.

We believe our many achievements in fiscal 1998 and our plans for 1999 demonstrate that RIM is indeed delivering and will continue to deliver on the promise we exhibited at the time of our IPO. We extend our appreciation to all our stakeholders for helping to make it possible.

Mike Lazaridis
President & Co-CEO

Jim Balsillie
Chairman & Co-CEO
May 28, 1998

Wireless messaging &

The wireless messaging industry is rapidly evolving, and RIM is positioned to be a primary beneficiary of this evolution.

Two-way paging – a core RIM technology – is poised to grow especially fast. Experts are forecasting that two-way paging and guaranteed delivery paging subscribers will easily surpass one-way subscribers and dominate the market within a decade.

Two-way messaging is replacing traditional paging for a number of reasons, at the heart of which are the technical advantages of two-way networks, significant advances in access device technology, and customer demand for two-way capability.

The ability to "narrowcast", or register a messaging device for specifically addressed transmissions, on a two-way network tremendously increases network capacity relative to one-way "broadcast" networks which transmit messages over every base station in the network to reach a single customer. The associated cost advantages are significant, allowing two-way messaging to be offered at comparable or lower prices than traditional one-way paging.

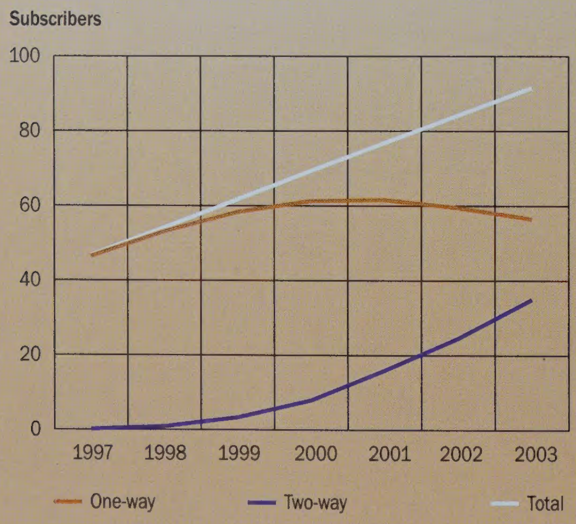
At the same time, two-way networks such as the BellSouth Wireless Data network in the US are improving their coverage to match the service standard of one-way networks. These networks also offer "store and forward" ability so that messages are never lost, which is a major competitive advantage over one-way networks.

The size, cost, and battery life of new two-way messaging products are equivalent to one-way pagers, making it possible for consumers to choose two-way messaging without sacrificing any of the benefits of traditional one-way pagers.

The superior functionality of two-way messaging is obvious. Consumers want the ability to respond to messages, to initiate queries for information, and remotely access e-mail and office intranets. The demand for these functions is high for vertical commercial applications such as field sales and service and trucking and courier services; as well as for corporate applications such as wireless e-mail, stock quotes and portfolio management, and maintaining constant communications with others. Many consumer applications such as the ability to respond to a page without using a wired telephone or cellular phone, and the ability to maintain continual two-way contact with family or friends are also fueling demand.

GROWTH OF TWO-WAY PAGING

US Wide Area Paging Forecast
(Subscribers in Millions)



Source: The Yankee Group

Largely due to its Internet-compatibility, packet-switched technology is best positioned to provide two-way messaging solutions.

There are many advantages of two-way packet switched technology – where data is broken down into "packets" and then reassembled at its destination – which render it ideally suited to two-way messaging applications. Relative to circuit-switched cellular and broadband PCS technologies which were primarily designed for voice applications, packet-switched technology is inexpensive and more efficient for messaging. Cellular and PCS phones dependent on circuit-switched technologies must transmit and receive constantly during a call session, which occupies

"Market research *overwhelmingly* indicates that **most** users of pagers would like to be *able to reply.* I think on that basis the **ultimate** success of the category (of *two-way paging*) is simply **inevitable."** – Wireless Integration Magazine

An integrated PDA/phone **device** will not *capture* more than 5 percent of the market for programmable *handheld devices* through **2002...** in its attempt to be *everything* to **everyone,** it compromises the *functionality* of the more *optimized* devices." – Gartner Group

"The Yankee Group *estimates* that **33%** of large US corporations will be providing **field** *serv*

considerably more radio spectrum than packet switching and is extremely battery consumptive.

Moreover, circuit-switched technology does not integrate well with the packet-based environments of office computing and the Internet. The Internet is an inexpensive communications backbone for two-way messaging because it eliminates the need for call centres and human operators to relay messages. It also eliminates airtime, long distance, and roaming charges usually associated with wireless voice communications. The Internet also allows content such as stock quotes, weather, and news items to be selectively downloaded and efficiently delivered to a two-way messaging device.

With packet technology, users are always connected and therefore receive real-time messages. By contrast, circuit-switched solutions are session based rather than on-line, requiring users to call in to download messages on a periodic basis.

Packet-switched, two-way messaging solutions have many other features which cannot be matched by voice-centric solutions which attempt to meet all wireless communication needs with a single device. These include silent notification, a full conventional keyboard (versus a numeric telephone keypad) and the greater capacity, faster message delivery, and nationwide coverage of two-way packet networks. Due to these attributes, network subscribers are expected to continue using cellular phones mainly for voice communication and use separate access devices such as two-way pagers for wireless messaging and related data applications.

Importantly, RIM is the world's only manufacturer of two-way paging devices for the Mobitex and DataTAC networks.

Mobitex and DataTAC are well-established network technologies with nationwide coverage in many countries around the globe. The Mobitex network is based on Ericsson's Mobitex technology, and is operated by BellSouth Wireless Data in the US and by Rogers Cantel in Canada. The DataTAC network is based on Motorola's DataTAC technology. ARDIS (100%-owned by American Mobile Satellite Corporation, or AMSC) operates the DataTAC network in the US, and Bell Mobility operates it in Canada.

Both networks are fully balanced in that they have the same capacity for sending or receiving messages. Additionally, they are high capacity networks ideally suited to two-way paging, messaging, and wireless data applications. These networks function in a packet environment where the messaging device only transmits for short bursts of time and "sleeps" efficiently when in receive mode. Mobitex and DataTAC network operators can thus offer monthly airtime rates with virtually unlimited usage at rates comparable to one-way paging. Both BellSouth and ARDIS have plans and funding in place to

nd *sales personnel* with wireless intranet **access** by the *year 2000.*" — Yankee Group

substantially improve network coverage in the US in the near term.

A competing network protocol is the Motorola-developed "one and a half way" paging technology called ReFLEX, which allows users to acknowledge receipt of pages and return canned responses only. Two of RIM's main competitors, Motorola and Glenayre, manufacture paging devices for ReFLEX. The principal ReFLEX network worldwide is operated in the US by Skytel (Mtel) and its capacity is limited relative to network technologies such as Mobitex and DataTAC. As a result, the BellSouth and ARDIS networks are faster and offer more competitive pricing.

For example, a typical wireless e-mail user will send and receive approximately 400 messages a month, or about 200 kilobytes of data. On the Mobitex and DataTAC networks, this would currently cost under $50, including the bundled hardware costs. The same user on the Skytel ReFLEX network would spend over $1,800 per month.

Furthermore, according to Wireless Week Magazine, a message that might take six seconds on a radio packet network could take 30 seconds to five minutes on Skytel. This longer latency period on Skytel makes obtaining stock quotes or responding to queries extremely cumbersome.

Multiple network technologies demand flexible messaging devices.

Within the two-way packet switched segment of the wireless industry, no single dominant technology has yet emerged. Consumers therefore want access devices that limit exposure to technological obsolescence by offering a wide choice of networks employing alternative technologies.

One of RIM's important competitive advantages is that its technology is compatible with many different network protocols. For example, in addition to manufacturing products for both the Mobitex and DataTAC networks, the Company has designed its products to be easily adapted to other wireless messaging technologies as they emerge. The ability to accommodate new applications and facilitate rapid transition to new networks is a critical aspect of RIM's ongoing product development strategy.

In summary, strong demand for wireless messaging services, RIM's flexible leading-edge technology, and its strategic partnerships with key network providers position RIM to continue to gain market momentum in 1999 and beyond.

"You don't need a **weathervane** to see which way the *wind is blowing.* The **masses** are building behind **wireless** e-mail and wireless Internet/Intranet access."

– The Strategis Group

RIM's technological and market leadership is derived from two core products: its next generation Inter@ctive Pager scheduled for launch early in the summer of 1998, which should represent an estimated 75% of product sales in fiscal 1999; and its OEM embedded radio modems, which are expected to generate 20% of total sales in fiscal 1999. RIM's Wireless PC Card will represent the balance at about 5%.

Inter@ctive Pager

RIM's next-generation Inter@ctive Pager scheduled for launch this summer exemplifies the Company's five primary competitive advantages in the areas of size, cost, coverage, battery life and functionality.

The Inter@ctive Pager provides full two-way paging capabilities and Internet/intranet connectivity using narrowband PCS in a small, wearable, lightweight device with a full conventional keyboard and graphical display. It is also equipped with a unique roller wheel for easy screen navigation, similar to that provided by a PC mouse. Other features include powerful message tools; personal information management (PIM) functionality; and significant storage capacity for names, e-mail addresses, telephone and fax numbers, and messages.

In addition to providing users with full two-way paging capabilities, this device will give them the ability to receive, respond to and initiate Internet e-mail; send faxes and text-to-voice messages; access Internet databases; query web sites; and store easy-to-access information. Among its other numerous features are a mechanical vibrator for discrete message notification, an audible beeper, automatically timed activation and deactivation, and back-up utility for files.

Wireless PC Card

Inter@ctive Pager

OEM Radio Modem

The form factor of the new pager is unmatched. The new device weighs only 4.1 ounces and incorporates a backlit display which accommodates eight lines of easy-to-read text with a minimum of 22 characters per line. This compares to the 8 ounce weight and maximum 4 lines of type of the product's previous generation. Furthermore, the pager runs on a standard AA alkaline battery that lasts for approximately 500 hours under normal usage, meaning it is possible to stay connected around the clock for almost three weeks. It leads the market in power efficiency, dynamically adjusting power output when the unit is close to a network base station.

The new Inter@ctive Pager delivers breakthroughs in critical areas to give users more access, more freedom, and more control. By the end of the first quarter of 1998, RIM already had advance orders for the new pager totaling $90 million.

OEM Radio Modem

RIM's OEM radio modems are a family of high-performance radio frequency transceivers designed for integration into products by value-added resellers, system integrators, and original equipment manufacturers (OEMs).

Radio modems are ideally suited for applications such as in-vehicle communications, handheld devices, ruggedized terminals, laptops, point-of-sale terminals, wireless telemetry, vending machines, and alarming systems. Generally, RIM works in partnership with OEMs to integrate its radio modem into a particular product. Once RIM's design is accepted, an ongoing "pull-through" sales channel is established. OEM customers select RIM's products on the basis of objective technical performance criteria, combined with engineering support during integration and ongoing technical support.

RIM manufactures the smallest and lightest modems in the world, weighing about 66 grams with a "footprint" the size of a credit card. This means RIM's modems can be integrated into very small handheld devices. RIM's modems are also typified by long battery life, ease of integration for the customer, and high immunity to nearby radio frequency noise. The product's high noise immunity dramatically increases reliability and performance. It also incorporates easy-to-implement interfaces and FLASH memory for simple upgrades, and diagnostics are available for easy testing of the modem's reliability.

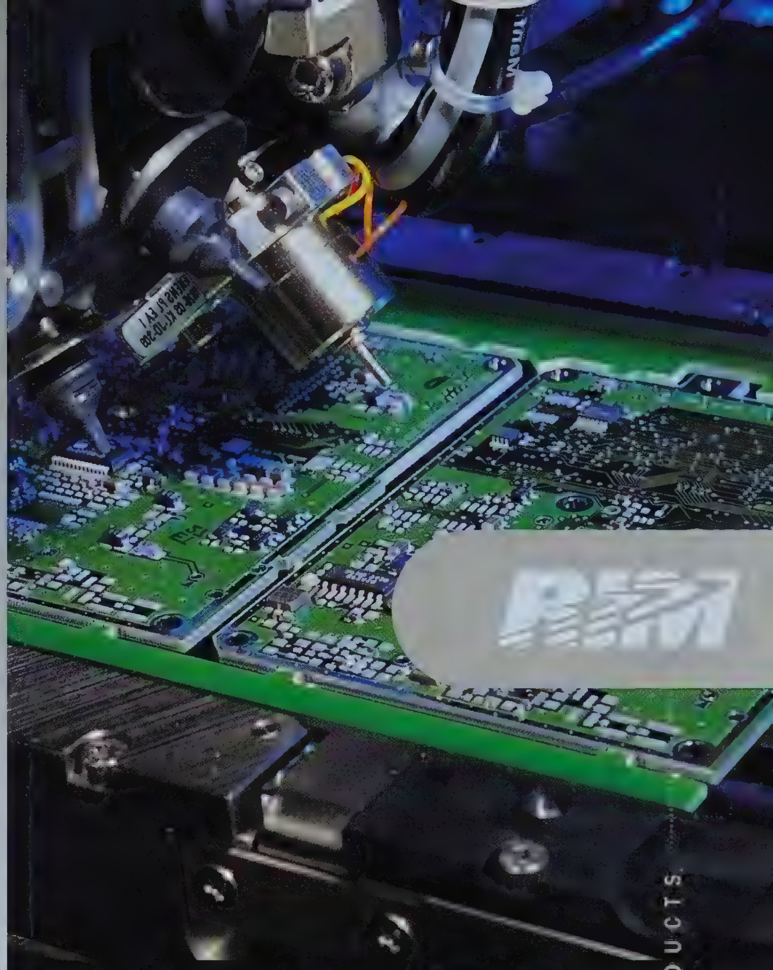
Wireless PC Card

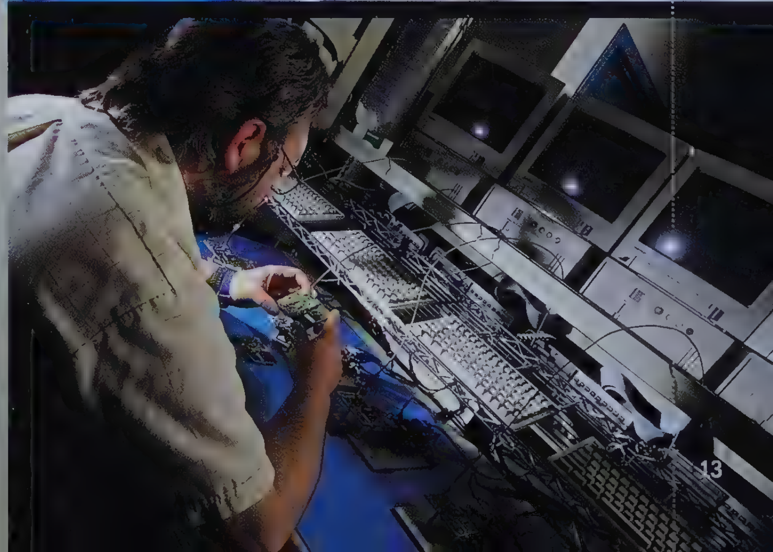
This slide-in card with a telescopic antenna provides two-way wireless connectivity for laptop computers and palm-sized devices built around Microsoft's Windows CE standard.

Including a standard 9-volt alkaline battery, the device weighs only 5.3 ounces and provides users with nationwide roaming on the BellSouth Wireless Data network in the US and the Rogers Cantel network in Canada. In addition to unmatched radio reception and transmission due to unique antenna technology, RIM's Wireless PC Card boasts the longest battery life in the industry, ensuring reliable, all-day performance.

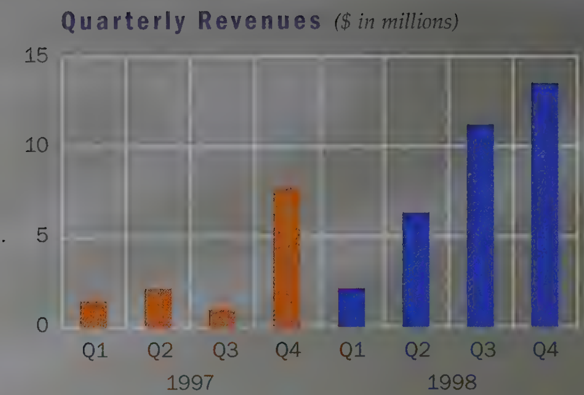
The Future

Research, development and an emphasis on proprietary technology are the cornerstones on which RIM has developed its business and they will continue to have the highest priority. RIM intends to continue to advance its technology and firmly establish its products as the industry standards for the access devices of the future.





DENNIS KAVELMAN
CHIEF FINANCIAL OFFICER



MANAGEMENT'S DISCUSSION AND ANALYSIS

Research In Motion generated net income of $540,000 for the year ended February 28, 1998 on an almost threefold increase in revenue to $33.2 million. Results reflected strong growth over net income of $44,000 on revenues of $12.1 million last year, as RIM continued to boost capacity and fill its order backlog to meet growing demand for its state-of-the-art wireless products. RIM's order backlog stood at $100 million at fiscal year end. This backlog is expected to decline relative to ongoing shipments as RIM's production facilities achieve sufficient capacity to significantly reduce customer lead times for its products.

Operating Highlights

(C$000's),	Fiscal 1998	Fiscal 1997
Revenue	**$ 33,159**	$ 12,071
Gross Profit	**11,715**	6,390
Net Income	**540**	44

Strong demand for wireless messaging products almost tripled revenue to $33.2 million from $12.1 million in fiscal 1997. Inter@ctive Pager sales of $23.2 million to customers such as BellSouth Wireless Data, AMSC/ARDIS, IBM, and Bell Mobility were the primary source of revenue growth, accounting for 70% of total revenue versus 4% last year. However, OEM embedded radio modems and Wireless PC Cards also made solid contributions. OEM radio sales of $5.0 million represented 15% of total revenue (1997: 2%), while sales of Wireless PC Cards represented 6% of revenue (1997: 59%) at $1.9 million.

Approximately 90% of product shipments were exported to the US in fiscal 1998, with the remaining 10% shipped to customers in Asia. This compares to 85% to the US and 15% to Asia in fiscal 1997. While difficult economic conditions in Asia had a negative impact on shipments to this region during the year, RIM maintains close relationships with its Asian customers and long-term growth prospects remain favourable.

Other revenue of $3.2 million chiefly consisted of government grants and investment tax credits of $2.0 million.

Revenue growth for the Company's products is affected by the product development cycle. Traditionally, RIM has introduced new products in the first half of its fiscal year, and the resultant phasing out of previous generation products and concentration on launch efforts typically depresses revenue relative to the fourth quarter of the preceding fiscal year. The June 1998 launch of the next generation Inter@ctive Pager is expected to have this impact on first quarter revenue in fiscal 1999, with sales growth expected to resume thereafter.

Gross Margin

Gross profit rose to $11.7 million in fiscal 1998 from $6.4 million in fiscal 1997, representing 35% of sales versus 53% a year ago. Gross margin in fiscal 1997 was higher due to a greater proportion of non-product revenue for which there was no associated COGS. Government grants, investment tax credits, and non-recurring engineering revenue represented 34% of total revenue in fiscal 1997; their decline to 8% of total revenue in fiscal 1998 is consistent with expectations as the Company moves into full

production mode and reduces its dependency on these revenue sources. Gross margins were as forecast in fiscal 1998, and are considered reasonable given the dominance of hardware products in RIM's sales mix.

Research and development expenses

R&D investment rose 45% to $6.5 million in fiscal 1998, but declined as a percentage of revenue to 20% from 37% in fiscal 1997 as a function of strong sales growth. Increased total spending was a result of the expansion of product development teams in preparation for the launch of next-generation products. R&D expenditures consisted largely of salaries for technical personnel, the cost of related engineering materials, software tools and support, and third party R&D costs.

Administration and marketing expenses

Administrative and marketing expenses increased 57% to $4.0 million from $2.5 million in fiscal 1997, again reflecting RIM's growth. However, these expenses declined to 12% of revenue from 21% a year earlier – a trend which is expected to continue as revenue increases.

Depreciation and amortization

Depreciation and amortization expense was $2.2 million in fiscal 1998, versus $0.6 million expensed in fiscal 1997. The increase was related to significant capital spending during the year for production and R&D facilities which increased RIM's depreciable asset base.

Investment income

Investment income of $2.0 million was primarily related to interest earned on net proceeds of approximately $105 million from the Company's initial public offering in October 1997.

Income taxes

The Company's past R&D activities have given rise to income tax loss carryforwards and investment tax credits (ITCs) which resulted in a net income tax recovery in fiscal 1997 and restricted taxes payable in fiscal 1998 to large corporations minimum tax. The $0.4 million tax provision for the current year also reflects the income tax offset arising from the deduction of share issue costs. This benefit has been allocated to share issue costs included in share capital.

As at February 28, 1998, the Company had remaining tax loss carryforwards, allocable share issue costs, and ITCs sufficient to shelter approximately $22.7 million of federal taxable income and approximately $21.0 million of provincial taxable income. As RIM intends to further invest in R&D in the future, the accrual of additional tax credits to offset tax payable is expected to be ongoing.

Net Income

Net income was $539,965 in fiscal 1998 compared to $43,737 in fiscal 1997. Operating losses of $1.0 million resulted from increasing R&D efforts and the expansion of the Company's production facilities as RIM positioned itself to deliver new products to the emerging wireless messaging market. These losses were offset by investment income of $2.0 million.

Earnings per share were $0.01 on both a basic and fully diluted basis, compared to EPS of $0.00 in fiscal 1997.

Liquidity and capital resources

Operating cash flow of $0.3 million was generated in fiscal 1998, compared to a shortfall of $17.7 million in fiscal 1997. Last year's shortfall was mainly attributable to a build-up in RIM's components inventory to fill backlogged orders. Operating cash flow improved in fiscal 1998 as these components were used in production.

The major uses of cash were capital expenditures of $8.3 million for the expansion of RIM's manufacturing and R&D facilities, up slightly from $8.2 million in fiscal 1997, and $1.4 million in debt repayment. These amounts were easily funded by $109.1 million in share issue proceeds from RIM's IPO and an equity investment by Intel.

As a result of substantial cash inflows from financing activities, RIM ended 1998 with a strong balance sheet. Cash and short-term investments of $109 million represented more than two-thirds of total assets, and RIM was virtually debt-free. Management believes the Company's current cash position and existing working capital are sufficient to meet its foreseeable requirements.

The Company believes Year 2000 issues will have a negligible impact on its ongoing operations. Nonetheless, enterprise-wide programs have been implemented to identify, test, and minimize RIM's exposure to Year 2000 issues. These programs are examining internal systems and equipment as well as the risks in the event trading partners, such as suppliers and customers, are not compliant. An external consulting firm that specializes in this field is assisting the Company with these tasks. RIM will take such steps as deemed necessary to correct any risks or weaknesses identified by this examination, and foresees no barriers to taking remedial action. The costs of Year 2000 programs are not anticipated to be material and will be expensed as incurred or capitalized as appropriate as part of the Company's normal operating and capital budgets.

RIM's order backlog was roughly $100 million at fiscal year end, most of which is scheduled for delivery in fiscal 1999. Approximately $90 million of these orders are for RIM's next-generation paging products. Sales of RIM's OEM radio modem are expected to continue to contribute to revenue growth, as evidenced by approximately $6 million in orders received in early fiscal 1999 from Panasonic Corporation and Mobile Integrated Technologies. Sales of Wireless PC Cards should also remain steady during fiscal 1999.

Management's long-term target is to achieve gross margin of 35-40%. In fiscal 1999, economies of scale associated with rising production should increase RIM's gross margin above 35%. The 36% gross margin achieved in the fourth quarter of fiscal 1998 suggests margins are normalizing as expected.

To maintain market leadership, the Company expects to apply roughly half of its cash resources to investments in new equipment, sales and marketing initiatives, general working capital purposes, and R&D in 1999. RIM also intends to add roughly 200 new employees in the upcoming year, with up to 25 dedicated to sales and marketing.

R&D is an integral component of the Company's long-term product development strategy. Future R&D expenditures will be maintained at 10% to 15% of sales, and will continue to be augmented by outside sources. In May of 1998, Technology Partnerships Canada entered into an agreement with RIM to invest $5.7 million in RIM's $19.1 million R&D initiative for next-generation two-way messaging products. RIM should also benefit from the R&D efforts of its numerous technology partners.

Current trends and industry forecasts indicate growth for wireless messaging products will escalate. RIM expects to gain an increasing share of this expanding market.

Management's Responsibility for Financial Reporting

To the Shareholders of Research In Motion Limited

The management of Research In Motion Limited is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including estimates and judgments required for such preparation. The financial information appearing throughout this annual report is consistent with the financial statements.

In fulfilling its responsibility for the reliability and integrity of financial information, management has established and maintains a system of internal controls and budgeting procedures. Management believes these systems and controls provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing the financial statements.

The financial statements are reviewed and approved by the Board of Directors and the Audit Committee, which oversee management's reporting responsibilities. Zeifman & Company and Ernst & Young, the independent auditors appointed by the shareholders, have examined the financial statements in accordance with generally accepted auditing standards and their report follows.

The Audit Committee of the Board of Directors, which consists of non-management directors, meets with management and the independent auditors to ensure that each is discharging its respective responsibilities relating to the financial statements. The external auditors have full and free access to the Audit Committee to discuss audit findings, financial reporting and other related matters.

Mike Lazaridis
President & Co-CEO

Dennis Kavelman
Chief Financial Officer

Waterloo, Ontario April 16, 1998

Auditors' Reports

To the Shareholders of Research In Motion Limited

We have audited the balance sheets of Research In Motion Limited as at February 28, 1998 and 1997 and the statements of operations, retained earnings (deficit) and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at February 28, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Zeifman & Company
Chartered Accountants

Ernst & Young
Chartered Accountants

Toronto, Ontario April 16, 1998

Incorporated Under the Laws of Ontario

Balance Sheets

As at February 28,	1998	1997
Current		
Cash and short-term investments (note 3)	$ 109,019,254	$ 9,475,677
Amounts receivable (note 4)	14,954,426	11,045,079
Inventory (note 5)	15,398,030	15,842,953
Prepaid expenses	241,919	159,397
	139,613,629	36,523,106
Capital Assets (note 6)	13,732,930	7,892,084
Total Assets	$ 153,346,559	$ 44,415,190
Current		
Accounts payable and accrued liabilities	$ 2,532,666	$ 2,026,713
Loans payable (note 7)	—	1,480,364
Deferred revenue	759,744	141,628
Total Liabilities	3,292,410	3,648,705
Capital Stock (note 11)	148,232,648	39,095,217
Retained Earnings	1,821,501	1,671,268
Total Shareholders' Equity	150,054,149	40,766,485
	$ 153,346,559	$ 44,415,190

See accompanying notes.

On Behalf of the Board

Director

Director

Statements of Retained Earnings (Deficit)

For the year ended February 28,		1998		1997
Balance, beginning of the year:				
As previously reported	$	(582,449)	$	1,627,531
Adjustment to reallocate share issue costs (note 14)		2,253,717		—
As restated		1,671,268		1,627,531
Net income for the year		539,965		43,737
Capital dividend paid during the year (note 12)		(389,732)		—
Balance, end of the year	$	1,821,501	$	1,671,268

See accompanying notes.

Incorporated Under the Laws of Ontario

Statements of Operations

For the year ended February 28,		1998		1997
Revenue	$	33,158,630	$	12,070,696
Cost of Sales		21,443,295		5,680,605
Gross Profit		11,715,335		6,390,091
Research and development		6,485,366		4,480,045
Administration and marketing		3,993,388		2,548,531
Amortization		2,191,956		566,650
Interest on loans payable		82,249		253,024
		12,752,959		7,848,250
Loss Before the Following		(1,037,624)		(1,458,159)
Investment Income		1,962,852		1,439,049
Income (Loss) Before Income Taxes		925,228		(19,110)
Income Taxes				
Current		385,263		55,000
Deferred		—		(117,847)
		385,263		(62,847)
Net Income	$	539,965	$	43,737
Net Income Per Share				
Basic	$	0.01	$	0.00
Fully diluted	$	0.01	$	0.00

See accompanying notes.

Statements of Changes in Financial Position

For the year ended February 28,		1998		1997
Cash Provided by (Used in) Operations				
Net income for the year	$	539,965	$	43,737
Items not requiring an outlay (providing an inflow) of cash:				
Amortization		2,191,956		566,650
Deferred income taxes		—		(117,847)
		2,731,921		492,540
Net changes in non-cash working capital items related to operations:				
Amounts receivable		(3,909,347)		(7,475,476)
Accounts payable and accrued liabilities		505,953		800,820
Inventory		444,923		(11,595,041)
Prepaid expenses		(82,522)		(56,216)
Deferred revenue		618,116		109,990
		309,044		(17,723,383)
Cash Provided by (Used in) Financing Activities				
Issuance of share capital		116,890,309		39,114,696
Share issue costs		(8,058,878)		(2,253,717)
Income tax reduction resulting from share issue costs		306,000		—
Repayment of loans payable		(1,480,364)		(1,799,317)
Government funding received to offset capital asset acquisitions		295,000		631,886
Dividends paid		(389,732)		—
Repayments to shareholders		—		(750,000)
		107,562,335		34,943,548
Cash Used in Investing Activities				
Acquisition of capital assets		(8,327,802)		(8,276,662)
Increase in Cash and Short-Term Investments for the Year		99,543,577		8,943,503
Cash and Short-Term Investments, Beginning of the Year		9,475,677		532,174
Cash and Short-Term Investments, End of the Year	$	109,019,254	$	9,475,677

See accompanying notes.

Notes to Financial Statements · *February 28, 1998*

[illegible] Business

The company is in the business of developing, manufacturing and supplying radios and other network access devices for use in wireless data communications systems. The company was incorporated on March 7, 1984 under the Ontario Business Corporations Act.

[illegible]

On October 27, 1997 the company amalgamated with a holding company which was formed as a result of the amalgamation of certain other holding companies (collectively, the "Holdcos"). The Holdcos' sole assets prior to the amalgamations were shares of the company. The Holdcos had no liabilities. The shareholders of the Holdcos received upon amalgamation, shares of the amalgamated company equal to the number of shares of the company previously owned by their respective Holdco.

[illegible] Accounting Policies

(a) General

These financial statements have been prepared by management in accordance with generally accepted accounting principles on a basis consistent with prior years. Because a precise determination of assets and liabilities depends on future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximation. Actual amounts may differ from these estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(b) Financial instruments

Short-term investments include those financial instruments which mature within one year or which management intends to convert to cash within one year of the date of purchase. Marketable shares and bonds which may be included are subject to market risk in that their value will fluctuate as a result of changes in market prices.

The fair value of financial instruments approximates amounts recorded. A significant portion of the company's sales and purchases are transacted with companies outside Canada. As a result, the company is exposed to risks relating to foreign exchange fluctuations. The company mitigates this risk by maintaining currency in foreign funds.

(c) Inventory

Inventory of raw materials and work in process is stated at the lower of cost and net realizable value, with cost determined on a first-in-first-out basis.

(d) Capital assets

Capital assets are stated at cost and amortization is provided using the following methods:

Furniture, fixtures, tooling and equipment	- 20% per annum on the declining balance;
Computer equipment	- straight-line over five years;
Patents	- straight-line over seventeen years;
Leasehold improvements	- straight-line over five years;
Pre-production costs	- straight-line over five years.

Amortization is recorded from the date of acquisition.

(e) Income taxes

Income taxes are accounted for using the deferral method of tax allocation under which income taxes are provided for in the year in which transactions affect net income regardless of when such transactions are recognized for tax purposes.

(f) Foreign currency translation

Foreign currency denominated monetary items are translated into Canadian dollars at the exchange rate in effect at year end. Transactions in foreign currencies are translated at the rate prevailing at the date of the transactions. Any resulting gains or losses are included in income.

(g) Revenue recognition

The company recognizes revenue from the sale of manufactured goods when the goods have been shipped. Government assistance is recognized when the related expenses have been incurred. On long-term contracts, the company recognizes revenue on the percentage of completion basis such that completion is recognized based on the stage of production. Losses on such contracts are accrued when the estimate of total costs indicates that a loss will be realized. Contract billings in excess of cost and accrued profit margins are included as deferred revenue under current liabilities.

Deferred revenue is taken into income in the period in which it is earned. Deferred revenue of $759,744 for year ended February 28, 1998 relates to deferred warranty revenue which will be taken into income in the period to which the warranty relates.

(h) Research and development

The company is engaged at all times in research and development work. The research and development costs other than capital asset acquisitions are charged as an operating expense of the company as incurred.

(i) Government assistance

Government assistance towards research and development expenditures is received as grants from the Ontario Technology Fund, Technology Partnerships Canada and in the form of investment tax credits. Assistance related to the acquisition of capital assets used for research and development is credited against the related capital assets and all other assistance is credited to income.

(j) Net income per share

Net income per share is calculated based on the average number of shares outstanding during the year.

3. *Cash and Short-term Investments*

Cash and short-term investments are comprised as follows:

February 28,		1998		1997
Cash (overdraft)	$	**2,606,514**	$	(24,323)
Redeemable guaranteed investment certificates bearing interest from 3.97% to 4.42% per annum, maturing October 27, 1998		**93,411,430**		—
Preferred shares		**1,750,428**		—
Canadian corporate bonds bearing interest at 7.5% per annum, maturing September 15, 2003, callable September 15, 1998		**11,250,882**		—
Loan receivable bearing interest at 2.73% per annum, maturing March 12, 1997		**—**		9,500,000
	$	**109,019,254**	$	9,475,677

Amounts Receivable

Amounts receivable are comprised as follows:

February 28,		**1998**		1997
Trade receivables	$	**11,237,367**	$	5,744,270
Accounts receivable – other (a)		**1,839,059**		3,187,259
Investment tax credits (b)		**1,800,000**		2,050,000
Due from shareholders		**78,000**		63,550
	$	**14,954,426**	$	11,045,079

(a) The accounts receivable – other primarily consists of amounts owing from the Ontario Technology Fund and Technology Partnerships Canada. Agreements have been signed which provide the company with government assistance equal to 50% of current and capital research and development expenditures with respect to the Ontario Technology Fund and 30% with respect to Technology Partnerships Canada.

(b) Investment tax credits recoverable are subject to review by Revenue Canada. The amount recorded is management's best estimate of the current value of the claim as filed and represents the refundable portion of investment tax credits. The actual amount could be materially different from the amount accrued.

The company in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The company has long-term contracts or supply agreements with most of its major customers. While the company sells to a variety of customers, at February 28, 1998 six customers comprise 87% of trade receivables (1997 – 2 customers, 77%). Over 90% of sales are to customers outside Canada.

Inventory is comprised as follows:

February 28,		**1998**		1997
Raw materials	$	**12,586,417**	$	13,702,092
Work in process		**2,811,613**		2,140,861
	$	**15,398,030**	$	15,842,953

Capital assets are comprised as follows:

February 28, 1998		Cost		Accumulated amortization		**Net book value**
Furniture, fixtures, tooling and equipment	$	11,151,030	$	1,663,008	$	**9,488,022**
Computer equipment		4,024,615		1,166,549		**2,858,066**
Patents		708,000		77,682		**630,318**
Leasehold improvements		641,310		99,412		**541,898**
Pre-production costs		280,000		65,374		**214,626**
	$	16,804,955	$	3,072,025	$	**13,732,930**

February 28, 1997	Cost	Accumulated amortization	Net book value
Furniture, fixtures, tooling and equipment	$ 5,855,342	$ 345,951	$ **5,509,391**
Computer equipment	2,076,651	482,321	**1,594,330**
Patents	350,000	36,027	**313,973**
Leasehold improvements	210,788	7,026	**203,762**
Pre-production costs	280,000	9,372	**270,628**
	$ 8,772,781	$ 880,697	$ **7,892,084**

7. *Loans Payable*

Loans payable as at February 28, 1997 consisted of a term loan, a US revolving loan and contract financing with an aggregate balance of $1,480,364. These loans bore interest rates ranging from prime to prime plus 1.5% per annum. A general security agreement and the assignment of inventory and specific contracts were pledged against the term and revolving loans. Specific contracts were pledged and assigned to the bank as security for the contract financing.

8. *Income Taxes*

The company has non-refundable investment tax credit carry-forwards which total $2,544,000 as at February 28, 1998. These investment tax credits are available to offset future federal income taxes payable. Also, the company has an unclaimed Scientific Research and Experimental Development ("SRED") tax pool of $4,783,000 which is available to offset future taxable income. In addition, the company has loss carry-forwards of $9,987,000 for Ontario tax purposes which have arisen primarily as a result of the provincial super-allowance on the company's research and development expenditures and $125,000 for federal tax purposes. These carry-forwards expire as follows:

		Investment tax credits	Ontario tax losses	Federal tax losses	SRED pool
In the year ending February 28,	2000	$ —	$ 1,688,000	$ —	$ —
	2001	—	2,055,000	—	—
	2002	—	223,000	—	—
	2003	65,000	1,869,000	125,000	—
	2004	292,000	2,825,000	—	—
	2005	51,000	1,327,000	—	—
	2006	359,000	—	—	—
	2007	817,000	—	—	—
	2008	960,000	—	—	—
Indefinite carryforward		—	—	—	4,783,000
		$ 2,544,000	$ 9,987,000	$ 125,000	$ 4,783,000

In addition the company will claim further tax deductions in future years for its share issue costs. These costs are deductible at the rate of approximately $2,048,000 per annum for each of the years ending February 28, 1999 to 2001, $1,597,000 for the year ending February 28, 2002 and $995,000 for the year ending February 28, 2003.

No portion of the potential benefit of the carryforwards and timing differences has been reflected in these financial statements except to offset deferred taxes of $1,868,700. Any benefits related to the deduction of the share issue costs will be credited directly to share capital and a charge will be made to the income tax provision. Any benefits related to investment tax credits claimed for capital asset acquisitions will be credited to capital assets. Any other benefits of these carryforwards will be credited to income in the year of recognition.

The difference between the amount of the provision for income taxes and the amount computed by multiplying income (loss) before taxes by the statutory rate is reconciled as follows:

For the year ended February 28,		**1998**		1997
Provision for (recovery of) income taxes based on a				
Canadian income tax rate of 44.62%	$	**412,837**	$	(8,527)
Increase (decrease) in taxes resulting from:				
Research and development tax incentives		**(643,580)**		(290,315)
Corporate minimum taxes and other		**115,836**		27,789
Losses not tax effected		**500,170**		290,315
Non-taxable portion of capital gains		**—**		(82,109)
	$	**385,263**	$	(62,847)

The company is committed to lease payments under operating leases for premises as follows:

For the year ending February 28,	1999	$	571,000
	2000	$	581,000
	2001	$	457,000
	2002	$	39,000

In addition, the company is also responsible for operating costs on its premises.

As at February 28, 1998, the accounts receivable includes $1,426,800 ($984,000 US) from a customer pending the resolution of a product dispute. The company is seeking arbitration in respect of the product and payment of the outstanding amount.

From time to time the company, in the normal course of business, is involved in a number of outstanding lawsuits. The aggregate liability which may result from these lawsuits is not considered to be a material amount. In some cases lawsuits by a customer initiate an analogous claim by the company for recourse to a supplier.

11. Capital Stock

(a) Share capital and special warrants

The company has an unlimited number of authorized non-voting, redeemable, retractable Class A common shares, an unlimited number of authorized voting common shares and an unlimited number of authorized, non-voting, cumulative, redeemable, retractable special shares. The following details the changes in issued and outstanding common shares, Class A common shares and special warrants for the period from February 29, 1996 to February 28, 1998:

Number

	Common shares	Class A common shares	Common share purchase warrants	Special warrants	Total
Balance, February 29, 1996	33,320,000	700,000	—	—	34,020,000
Issued during the year	2,320,000	597,000	—	10,000,000	12,917,000
Conversion of Class A common shares and special warrants to common shares	11,297,000	(1,297,000)	—	(10,000,000)	—
Balance, February 28, 1997	46,937,000	—	—	—	46,937,000
Issued during the year	17,031,087	—	139,000	—	17,170,087
Balance, February 28, 1998	63,968,087	—	139,000	—	64,107,087

Amount

	Common shares	Class A common shares	Common share purchase warrants	Special warrants	Total
Balance, February 29, 1996	$ 2,199,238	$ 35,000	$ —	$ —	$ 2,234,238
Issued during the year	5,084,846	29,850	—	34,000,000	39,114,696
Conversion of Class A common shares and special warrants to common shares	34,064,850	(64,850)	—	(34,000,000)	—
Share issue costs	(2,253,717)	—	—	—	(2,253,717)
Balance, February 28, 1997	39,095,217	—	—	—	39,095,217
Issued during the year	116,890,307		2		116,890,309
Share issue costs	(8,058,878)	—	—	—	(8,058,878)
Income tax reduction resulting from share issue costs	306,000	—	—	—	306,000
Balance, February 28, 1998	$148,232,646	$ —	$ 2	$ —	$148,232,648

The Class A common shares and special warrants were converted into common shares on a share-for-share basis on December 4, 1996. There are no special shares issued or outstanding.

Each common share purchase warrant entitles the holder to acquire one common share for $4.50 until August 12, 2002.

(b) Stock options

The Company has 4,252,000 options outstanding which expire at various dates between March 1, 1998 and December 4, 2006 and are exercisable at prices ranging from $0.05 to $7.25.

12. *Capital Dividend*

A capital dividend was declared on October 24, 1997 to the shareholders of record at that date.

13. *Government Assistance*

The government assistance from the Ontario Technology Fund may be repayable in the form of royalties based on future sales related to the technology funded. Such amounts, if any, that may be repayable will be accounted for in the period in which conditions arise that will cause repayment. These royalty payments will be repayable over a period of ten years from the date of commencement of the future sales related to the technology funded or until the total aggregate amount of all royalty payments equals the total amount of government assistance, whichever occurs first. The royalty payments will be based on the company's value added component to the products, being the excess of selling price over material costs, and will be 1% in year 1, 2% in year 2, 3% in year 3, 4% in year 4 and 5% in each of years 5 to 10, subject to annual maximum contributions of $100,000 in year 1, $400,000 in year 2, $600,000 in year 3, $800,000 in year 4, $1,000,000 in year 5 and $1,250,000 per year in each of years 6 to 10, inclusive, until the total $4,710,000 of the grant has been paid back.

The government assistance from Technology Partnerships Canada ("TPC") is subject to royalty payments of 2.2% of gross product revenues based on future sales related to the technology funded. The first royalty payment is due 46 days after February 28, 2000. If by February 28, 2003, the royalty payments paid or due equal or exceed $9,100,000, no further royalty payments will be payable. If by February 28, 2003, the royalty payments paid or due do not equal or exceed $9,100,000, royalty payments will continue to be payable to a limit of $9,100,000, but such royalty payments shall be payable on revenue from all two-way pager products instead of solely products developed with the TPC funding.

No amounts have been accrued with respect to repayments as the conditions for repayment have not been met.

Included in revenue are government grants and investment tax credits totalling $2,041,182 (1997 – $2,234,255).

14. *Comparative Figures*

Certain of the prior year's figures have been reclassified for consistency with the presentation adopted for the current year.

As at February 28, 1998, share issue costs previously charged to retained earnings have been reallocated to share capital. As a result, as at February 28, 1997 and 1998, retained earnings increased and share capital decreased by $2,253,717.

Board of Directors

Jim Balsillie
Jim Balsillie is Chairman of the Board of Directors and Co-Chief Executive Officer of RIM. Prior to joining RIM in 1993, he was Executive-Vice President and a director of a private engineering company with $80 million in sales and held corporate finance roles at two major North American firms. Mr. Balsillie is also a director of Descartes Systems Group Inc. (TSE: DSG).

Mike Lazaridis
Since founding RIM in 1984, Mr. Lazaridis has overseen the Company's product development and operations in his capacity as President and Co-Chief Executive Officer. His involvement has earned him numerous prestigious product and technology awards during that time. He is also a Member of the Research Approval Committee of Ontario's Information Research Technology Centre.

Michael Barnstijn
Mr. Barnstijn joined RIM in 1985 and currently is Vice President, Software, responsible for overseeing the design and debugging of all software used in the Company's products. He was previously engaged in multiprocessor computer systems research at the University of Waterloo.

Jim Estill
Mr. Estill is President & Chief Executive Officer of EMJ Data Systems Ltd., a wholesaler of microcomputers and peripherals with sales of $157 million (TSE: EMJ). He founded EMJ in 1979.

Douglas Fregin
Mr. Fregin co-founded RIM with Mr. Lazaridis in 1984 and currently serves as Vice President, Operations. In addition to acting as general manager of the Company, his responsibilities include all circuit board level hardware design, and engineering and production integration issues.

Valentine O'Donovan
Val O'Donovan is Chairman and Chief Executive Officer of COM DEV International Ltd. (TSE: CDV), which he first joined as President in 1974 after more than 10 years of progressive engineering experience with RCA. In 1997, he also became Chancellor of the University of Waterloo.

Douglas Wright
Mr. Wright is President Emeritus of the University of Waterloo and a director of COM DEV, Electrohome, Meloche Monnex, and a number of other corporations. He also serves on the board of the Ontario Research and Development Challenge Fund and acts as an advisor to Canadian Imperial Bank of Commerce.

Board Observer

Tom Franz, Vice President and General Manager of Embedded Microcomputer Division, Intel Corporation

Compensation Committee

Jim Balsillie
Val O'Donovan
Douglas Wright

Audit Committee

Douglas Wright
Val O'Donovan
Jim Estill

Senior Officers of Research In Motion

Mike Lazaridis
President and Co-Chief Executive Officer

Jim Balsillie
Chairman and Co-Chief Executive Officer

Michael Barnstijn
Vice President, Software

Mark Carragher
Vice President, Custom Silicon

Justin Fabian
Vice President, Business Development

Douglas Fregin
Vice President, Operations

Dennis Kavelman
Chief Financial Officer

Richard Landry
Vice President, Manufacturing

Donald McMurtry
Vice President, Sales

Charles Meyer
Vice President and Secretary

Bryan Taylor
Vice President, Engineering

David Werezak
Vice President, Marketing

"The attributes of the **Internet** offer the means to drastically *reduce the cost* and complexity of **wireless data** integration." — Yankee Group

"The market for *information appliances* (low-cost, easy-to-use, digital consumer electronics devices providing **access** to the Internet) will explode over the next several years. "
— International Data Corporation

"*Smart phones* will become **voice-first,** data-second devices... Phone form factors will remain *optimized* to span the distance between ear and mouth, a **voice-centric** design. Data display screens will be *integrated,* but input and display of sizable amounts of data will remain problematic..." — Gartner Group

"Interactive paging is a *perfect* **complement,** not competition, to the many *communications tools* people already use...It makes everyday business **communications** much more efficient and effective." — MCI

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